AMENDED Exhibit 836

PLAINTIFFS' OMNIBUS OPPOSITION TO DEFENDANTS' MOTIONS FOR SUMMARY JUDGMENT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission File Number 001-38017

SNAP INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**45-5452795** **(I.R.S. Employer Identification No.)**

2772 Donald Douglas Loop North, Santa Monica, California 90405
(Address of principal executive offices, including zip code)

(310) 399-3339
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.00001 per share	SNAP	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by checkmark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of Class A common stock on the New York Stock Exchange on June 30, 2020, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately $24.9 billion.

As of February 2, 2021, the Registrant had 1,252,985,748 shares of Class A common stock, 23,691,358 shares of Class B common stock, and 231,626,943 shares of Class C common stock outstanding.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included in "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs that involve significant risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to those differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in "Risk Factors," "Note Regarding Forward-Looking Statements," and "Note Regarding User Metrics and Other Data."

The following generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussion of historical items and year-to-year comparisons between 2019 and 2018 that are not included in this discussion can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 4, 2020.

Overview of Full Year 2020 Results

Our key user metrics and financial results for fiscal year 2020 are as follows:

User Metrics

- Daily Active Users, or DAUs, increased to 265 million in Q4 2020, compared to 218 million in Q4 2019.
- Average revenue per user, or ARPU, increased 33% to $3.44 in Q4 2020, compared to $2.58 in Q4 2019.

Financial Results

- Cash used in operating activities was $(167.6) million in 2020, compared to $(305.0) million in 2019.
- Free Cash Flow was $(225.5) million in 2020, compared to $(341.4) million in 2019.
- Common shares outstanding plus shares underlying stock-based awards, including restricted stock units, restricted stock awards, and outstanding stock options, totaled 1,630 million at December 31, 2020, compared with 1,576 million one year ago.
- Capital expenditures were $57.8 million in 2020, compared to $36.5 million in 2019.
- Cash, cash equivalents, and marketable securities were $2.5 billion as of December 31, 2020.
- Revenue increased 46% to $2.5 billion in 2020, compared to $1.7 billion in 2019.
- Total costs and expenses excluding stock-based compensation and related payroll tax expense increased 21% to $2.5 billion in 2020, compared to $2.1 billion in 2019.
- Net loss decreased 9% to $(944.8) million in 2020, compared to $(1.0) billion in 2019.
- Diluted net loss per share decreased 13% to $(0.65) in 2020, compared to $(0.75) in 2019.
- Adjusted EBITDA increased 122% to $45.2 million in 2020, compared to $(202.2) million in 2019.

Overview

Snap Inc. is a camera company.

We believe that reinventing the camera represents our greatest opportunity to improve the way that people live and communicate. We contribute to human progress by empowering people to express themselves, live in the moment, learn about the world, and have fun together.

Our flagship product, Snapchat, is a camera application that helps people communicate visually with friends and family through short videos and images called Snaps.

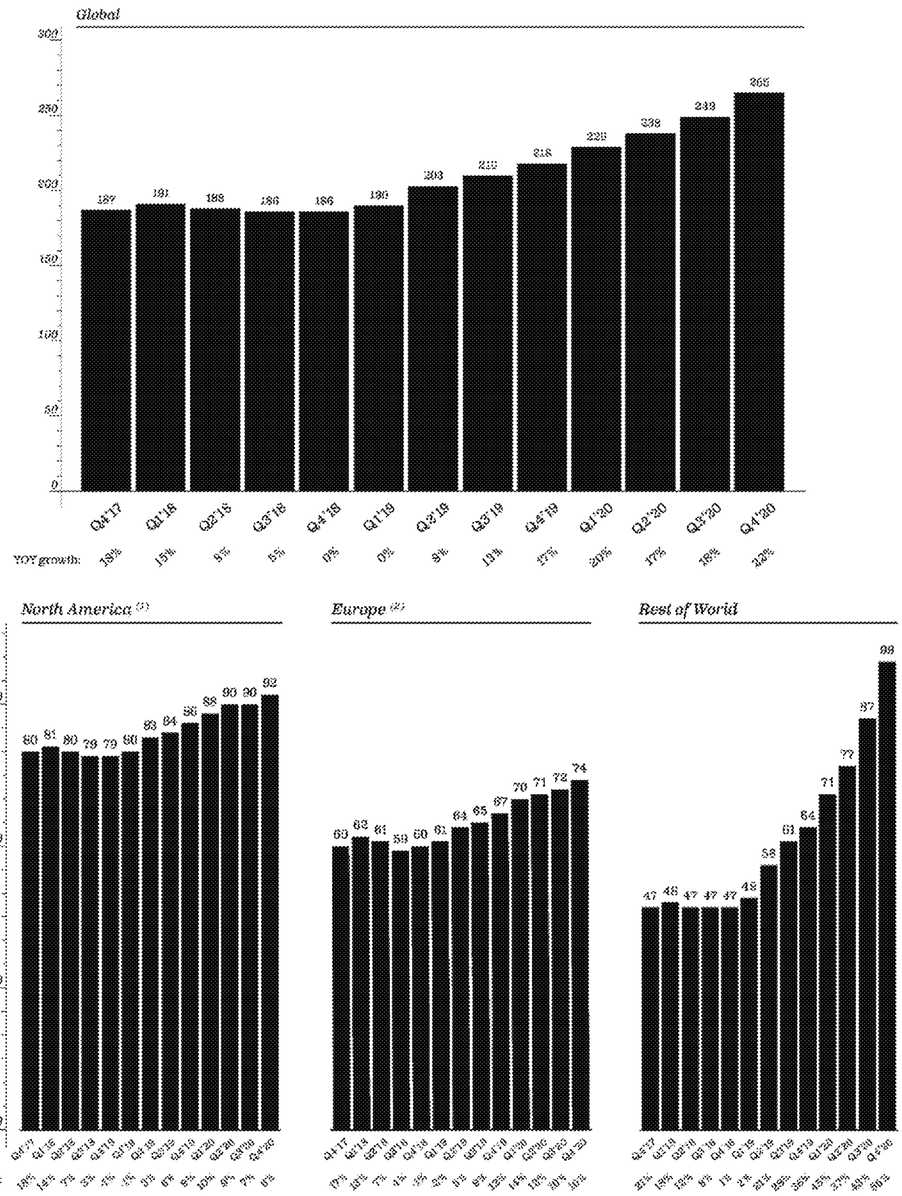
Trends in User Metrics

We define a DAU as a registered Snapchat user who opens the Snapchat application at least once during a defined 24-hour period. We define ARPU as quarterly revenue divided by the average DAUs. We assess the health of our business by measuring DAUs and ARPU because we believe that these metrics are important ways for both management and investors to understand engagement and monitor the performance of our platform.

User Engagement

We calculate average DAUs for a particular quarter by adding the number of DAUs on each day of that quarter and dividing that sum by the number of days in that quarter. DAUs are broken out by geography because markets have different characteristics. We had 265 million DAUs on average in the fourth quarter of 2020, compared to 249 million in the prior quarter and 218 million in the fourth quarter of 2019.

Quarterly Average Daily Active Users
(in millions)



(1) North America includes Mexico, the Caribbean, and Central America.

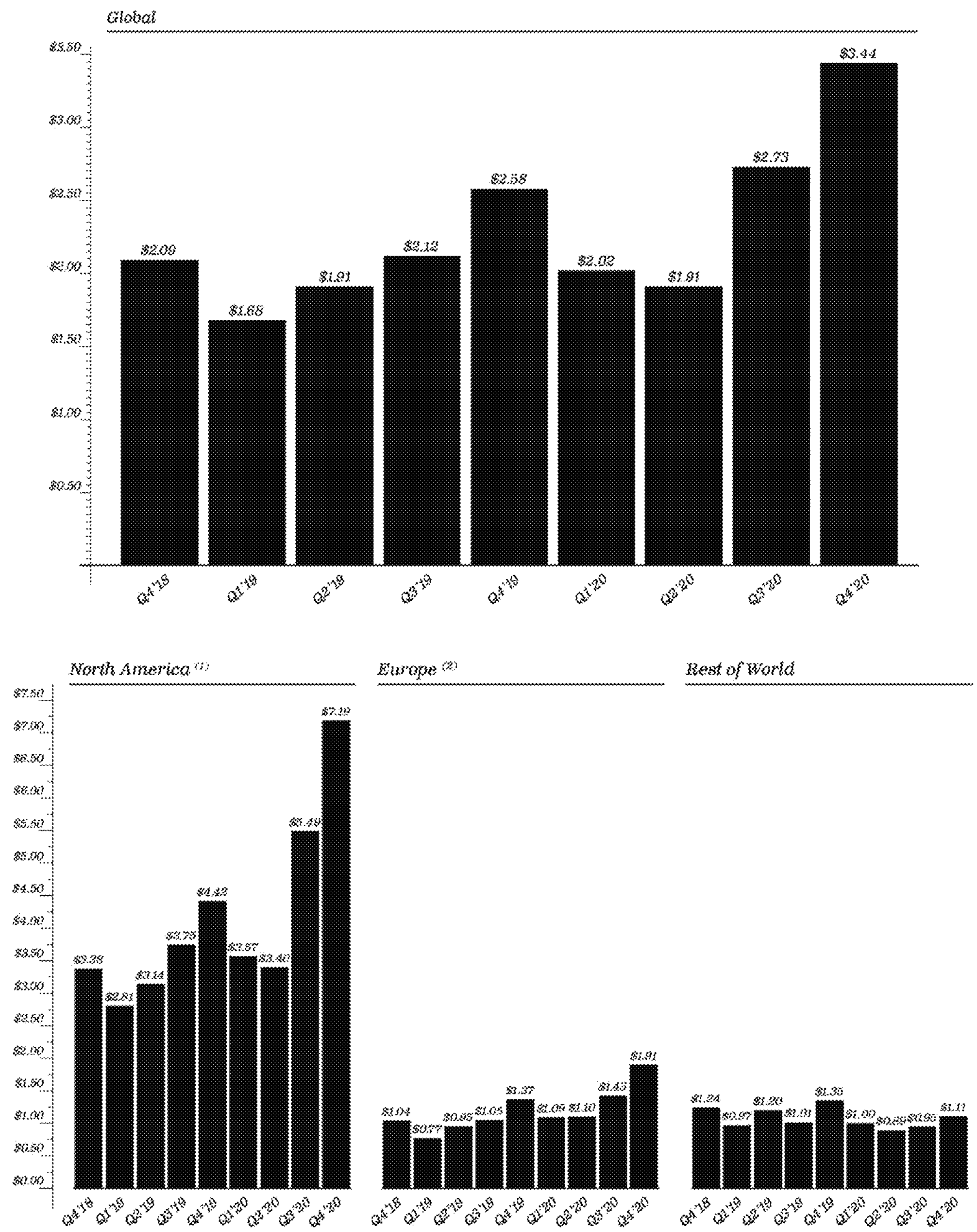
(2) Europe includes Russia and Turkey.

Monetization

In the year ended December 31, 2020, we recorded revenue of $2.5 billion compared to revenue of $1.7 billion for the year ended December 31, 2019, an increase of 46% year-over-year. We monetize our business primarily through advertising. Our advertising products include Snap Ads and AR Ads. We measure our business using ARPU because it helps us understand the rate at which we are monetizing our daily user base.

ARPU was $3.44 in the fourth quarter of 2020, up from $2.73 in the third quarter of 2020 and $2.58 in the fourth quarter of 2019. For purposes of calculating ARPU, revenue by user geography is apportioned to each region based on a determination of the geographic location in which advertising impressions are delivered, as this approximates revenue based on user activity. This differs from the presentation of our revenue by geography in the notes to our consolidated financial statements, where revenue is based on the billing address of the advertising customer.

Quarterly Average Revenue per User



(1) North America includes Mexico, the Caribbean, and Central America.

(2) Europe includes Russia and Turkey.

Results of Operations

Components of Results of Operations

Revenue

We generate substantially all of our revenue through the sale of our advertising products, which primarily include Snap Ads and AR Ads, and measurement services, referred to as advertising revenue. Snap Ads may be subject to revenue sharing arrangements between us and the media partner. We also generate revenue from sales of our hardware product, Spectacles. This revenue is reported net of allowances for returns.

Cost of Revenue

Cost of revenue consists primarily of payments to third-party infrastructure partners for hosting our products, which include expenses related to storage, computing, and bandwidth costs. Cost of revenue also includes payments for content and third-party selling costs, referred to as partner arrangements. In addition, cost of revenue includes advertising measurement services, and personnel-related costs, including salaries, benefits, and stock-based compensation expenses. Cost of revenue also includes facilities and other supporting overhead costs, including depreciation and amortization, and inventory costs for Spectacles.

Research and Development Expenses

Research and development expenses consist primarily of personnel-related costs, including salaries, benefits, and stock-based compensation expense for our engineers, designers, and other employees engaged in the research and development of our products. In addition, research and development expenses include facilities and other supporting overhead costs, including depreciation and amortization. Research and development costs are expensed as incurred.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of personnel-related costs, including salaries, benefits, commissions, and stock-based compensation expense for our employees engaged in sales and sales support, business development, media, marketing, corporate partnerships, and customer service functions. Sales and marketing expenses also include costs incurred for advertising, market research, tradeshows, branding, marketing, promotional expense, and public relations, as well as facilities and other supporting overhead costs, including depreciation and amortization.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related costs, including salaries, benefits, and stock-based compensation expense for our finance, legal, information technology, human resources, and other administrative teams. General and administrative expenses also include facilities and supporting overhead costs, including depreciation and amortization, and external professional services.

Interest Income

Interest income consists primarily of interest earned on our cash, cash equivalents, and marketable securities.

Interest Expense

Interest expense consists primarily of interest expense associated with our senior convertible notes, or the Convertible Notes, and commitment fees and amortization of financing costs related to our revolving credit facility.

Other Income (Expense), Net

Other income (expense), net consists of realized gains and losses on sales of marketable securities, our portion of non-marketable investment income and losses, foreign currency transaction gains and losses, and gains and impairments on non-marketable investments. Other income (expense), net also includes any gains or losses on divestitures of businesses.

Income Tax Benefit (Expense)

We are subject to income taxes in the United States and numerous foreign jurisdictions. These foreign jurisdictions have different statutory tax rates than the United States. Additionally, certain of our foreign earnings may also be taxable in the United States. Accordingly, our effective tax

rates will vary depending on the relative proportion of foreign to domestic income, use of tax credits, changes in the valuation of our deferred tax assets and liabilities, and changes in tax laws.

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense and related payroll tax expense; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. We consider the exclusion of certain non-cash and non-recurring expenses in calculating Adjusted EBITDA to provide a useful measure for period-to-period comparisons of our business and for investors and others to evaluate our operating results in the same manner as does our management. Additionally, we believe that Adjusted EBITDA is an important measure since we use third-party infrastructure partners to host our services and therefore we do not incur significant capital expenditures to support revenue-generating activities. See "Selected Financial Data—Non-GAAP Financial Measures" for additional information and a reconciliation of net loss to Adjusted EBITDA.

Discussion of Results of Operations

The following table sets forth our consolidated statements of operations data:

	Year Ended December 31,		
	2020	2019	2018
	(in thousands)		
Consolidated Statements of Operations Data:			
Revenue	$ 2,506,626	$ 1,715,534	$ 1,180,446
Costs and expenses(1) (2):			
Cost of revenue	1,182,505	895,838	798,865
Research and development	1,101,561	883,509	772,185
Sales and marketing	555,468	458,598	400,824
General and administrative	529,164	580,917	477,022
Total costs and expenses	3,368,698	2,818,862	2,448,896
Operating loss	(862,072)	(1,103,328)	(1,268,450)
Interest income	18,127	36,042	27,228
Interest expense	(97,228)	(24,994)	(3,894)
Other income (expense), net	14,988	59,013	(8,248)
Loss before income taxes	(926,185)	(1,033,267)	(1,253,364)
Income tax benefit (expense)	(18,654)	(393)	(2,547)
Net loss	$ (944,839)	$ (1,033,660)	$ (1,255,911)
Adjusted EBITDA(3)	$ 45,163	$ (202,230)	$ (575,637)

(1) Stock-based compensation expense included in the above line items:

	Year Ended December 31,		
	2020	2019	2018
	(in thousands)		
Stock-based compensation expense:			
Cost of revenue	$ 9,367	$ 6,365	$ 4,393
Research and development	533,272	464,639	340,533
Sales and marketing	108,270	93,355	84,059
General and administrative	119,273	121,654	109,226
Total	$ 770,182	$ 686,013	$ 538,211

(2) Depreciation and amortization expense included in the above line items:

	Year Ended December 31,		
	2020	2019	2018
	(in thousands)		
Depreciation and amortization expense:			
Cost of revenue	$ 22,205	$ 21,271	$ 26,282
Research and development	37,627	33,208	33,001

Sales and marketing	12,916	13,256	15,089
General and administrative	13,996	19,510	17,276
Total	$ 86,744	$ 87,245	$ 91,648

(3) See "Selected Financial Data—Non-GAAP Financial Measures" of this Annual Report on Form 10-K for more information and for a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP.

The following table sets forth the components of our consolidated statements of operations data for each of the periods presented as a percentage of revenue:

	Year Ended December 31, 2020	2019	2018
Consolidated Statements of Operations Data:			
Revenue	100%	100%	100%
Costs and expenses:			
Cost of revenue	47	52	68
Research and development	44	52	65
Sales and marketing	22	27	34
General and administrative	21	34	40
Total costs and expenses	134	164	207
Operating loss	34	64	107
Interest income	1	2	2
Interest expense	4	1	—
Other income (expense), net	1	3	1
Loss before income taxes	37	60	106
Income tax benefit (expense)	1	—	—
Net loss	38%	60%	106%

Revenue

	Year Ended December 31,			2020 vs 2019 Change		2019 vs 2018 Change	
	2020	2019	2018	$	%	$	%
	(dollars in thousands)						
Revenue	$ 2,506,626	$ 1,715,534	$ 1,180,446	$ 791,092	46%	$ 535,088	45%

2020 compared to 2019

Revenue for the year ended December 31, 2020 increased $791.1 million compared to the same period in 2019. Revenue increased due to a combination of growth in advertisers and advertising demand and optimization efficiencies, as well as a shift towards higher yielding products and regions.

Cost of Revenue

	Year Ended December 31,			2020 vs 2019 Change		2019 vs 2018 Change	
	2020	2019	2018	$	%	$	%
	(dollars in thousands)						
Cost of Revenue	$ 1,182,505	$ 895,838	$ 798,865	$ 286,667	32%	$ 96,973	12%

2020 compared to 2019

Cost of revenue for the year ended December 31, 2020 increased $286.7 million compared to the same period in 2019. The increase in cost of revenue primarily consisted of increased infrastructure costs of $96.7 million, attributable to DAU growth and increased user activity between the periods, net of infrastructure cost efficiencies. The increase was also a result of higher revenue share due to both the overall increase in revenue and a higher mix of revenue subject to revenue share as well as higher content acquisition costs.

Research and Development Expenses

	Year Ended December 31,			2020 vs 2019 Change		2019 vs 2018 Change	
	2020	2019	2018	$	%	$	%
	(dollars in thousands)						
Research and Development Expenses	$ 1,101,561	$ 883,509	$ 772,185	$ 218,052	25%	$ 111,324	14%

2020 compared to 2019

Research and development expenses for the year ended December 31, 2020 increased $218.1 million compared to the same period in 2019. The increase primarily consisted of an increase in personnel costs, driven by growth in research and development headcount that contributed to higher stock-based compensation expense, and changes to our cash compensation programs.

Sales and Marketing Expenses

	Year Ended December 31,			2020 vs 2019 Change		2019 vs 2018 Change	
	2020	2019	2018	$	%	$	%
	(dollars in thousands)						
Sales and Marketing Expenses	$ 555,468	$ 458,598	$ 400,824	$ 96,870	21%	$ 57,774	14%

2020 compared to 2019

Sales and marketing expenses for the year ended December 31, 2020 increased $96.9 million compared to the same period in 2019. The increase was primarily driven by increased marketing investments and an increase in personnel expenses due to the growth in sales and marketing headcount and stock-based compensation expense. The increase was partially offset by the impact of lower travel and event-related spending due to COVID-19 related restrictions on these activities.

General and Administrative Expenses

	Year Ended December 31,			2020 vs 2019 Change		2019 vs 2018 Change	
	2020	2019	2018	$	%	$	%
	(dollars in thousands)						
General and Administrative Expenses	$ 529,164	$ 580,917	$ 477,022	$ (51,753)	(9)%	$ 103,895	22%

2020 compared to 2019

General and administrative expenses for the year ended December 31, 2020 decreased $51.8 million compared to the same period in 2019. The decrease was primarily due to the $100.0 million preliminary settlement of the securities class action in the prior period, partially offset by an increase in personnel expenses driven by an increase in headcount and changes to our cash compensation programs. This decrease was also due to a lower cost per head driven by a decrease in stock-based compensation expense as well as the impact of lower travel and event-related spending due to COVID-19 related restrictions on these activities.

Interest Income

	Year Ended December 31,			2020 vs 2019 Change		2019 vs 2018 Change	
	2020	2019	2018	$	%	$	%
	(dollars in thousands)						
Interest Income	$ 18,127	$ 36,042	$ 27,228	$ (17,915)	(50)%	$ 8,814	32%

2020 compared to 2019

Interest income for the year ended December 31, 2020 decreased $17.9 million compared to the same period in 2019. The decrease was primarily a result of lower interest rates on U.S. government-backed securities, partially offset by a higher overall invested cash balance.

Interest Expense

	Year Ended December 31,			2020 vs 2019 Change		2019 vs 2018 Change	
	2020	2019	2018	$	%	$	%
	(dollars in thousands) (NM = Not Meaningful)						
Interest Expense	$ (97,228)	$ (24,994)	$ (3,894)	$ (72,234)	289%	$ (21,100)	NM

2020 compared to 2019

Interest expense for the year ended December 31, 2020 increased $72.2 million, compared to the same period in 2019. The increase in interest expense in the current period relates to the Convertible Notes.

Other Income (Expense), Net

	Year Ended December 31,			2020 vs 2019 Change		2019 vs 2018 Change	
	2020	2019	2018	$	%	$	%
	(dollars in thousands) (NM = Not Meaningful)						
Other Income (Expense), Net	$ 14,988	$ 59,013	$ (8,248)	$ (44,025)	(75)%	$ 67,261	NM

2020 compared to 2019

Other income, net for the year ended December 31, 2020 decreased $44.0 million, compared to other income, net for the same period in 2019. Other income, net for the current year was primarily a result of gains on non-marketable investments partially offset by impairments of non-marketable investments. Other income, net in the comparable period in 2019 was primarily a result of a gain of $39.9 million on the divestiture of Placed, LLC, or Placed, a location-based measurement services company, as well as gains on non-marketable investments.

Income Tax Benefit (Expense)

	Year Ended December 31,			2020 vs 2019 Change		2019 vs 2018 Change	
	2020	2019	2018	$	%	$	%
	(dollars in thousands)						
Income Tax Benefit (Expense)	$ (18,654)	$ (393)	$ (2,547)	$ (18,261)	4647%	$ 2,154	(85)%
Effective Tax Rate	(2.0)%	(0.0)%	(0.2)%				

2020 compared to 2019

Income tax expense was $18.7 million for the year ended December 31, 2020, compared to $0.4 million for the same period in 2019. This increase was primarily driven by a discrete expense resulting from intra-entity transfers of intangible assets, partially offset by a discrete benefit resulting from a partial valuation allowance release on our deferred tax assets due to deferred tax liabilities originating from acquisitions.

Our effective tax rate differs from the U.S. statutory tax rate primarily due to valuation allowances on our deferred tax assets as it is more likely than not that some or all of our deferred tax assets will not be realized.

For additional discussion, see Note 11 to our consolidated financial statements included in “Financial Statements and Supplementary Data” in this Annual Report on Form 10-K.

Net Loss and Adjusted EBITDA

	Year Ended December 31,			2020 vs 2019 Change		2019 vs 2018 Change	
	2020	2019	2018	$	%	$	%
	(dollars in thousands)						
Net Loss	$ (944,839)	$ (1,033,660)	$ (1,255,911)	$ 88,821	(9)%	$ 222,251	(18)%
Adjusted EBITDA	$ 45,163	$ (202,230)	$ (575,637)	$ 247,393	(122)%	$ 373,407	(65)%

2020 compared to 2019

Net loss for the year ended December 31, 2020 was $944.8 million, compared to $1.0 billion for the same period in 2019. Adjusted EBITDA for the year ended December 31, 2020 was $45.2 million, compared to $(202.2) million for the same period in 2019. The decrease in net loss was attributable to a legal expense of $100.0 million for the preliminary settlement agreement of securities class actions in the prior period, partially offset by a gain of $39.9 million on the divestiture of Placed recognized in the prior period. The increase in Adjusted EBITDA was driven by increased revenues, partially offset by increased cost of revenue mainly due to higher infrastructure costs attributable to DAU growth and increased user activity between the periods.

For a discussion of the limitations associated with using Adjusted EBITDA rather than GAAP measures and a reconciliation of this measure to net loss, see "Selected Financial Data—Non-GAAP Financial Measures."

Unaudited Quarterly Results of Operations Data

The following table sets forth the primary components of our unaudited quarterly consolidated statements of cash flows for each of the four quarters in the periods ended December 31, 2020 and December 31, 2019. These unaudited quarterly statements of cash flows have been prepared on the same basis as our audited consolidated financial statements included in "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. In the opinion of management, the financial information reflects all normal recurring adjustments necessary for the fair statement of results of operations for these periods. This information should be read in conjunction with our consolidated financial statements and the related notes included in "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. The results of historical periods are not necessarily indicative of the results in any future period.

	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
	(in thousands)							
Consolidated Statements of Cash Flows Data:								
Net cash provided by (used in) operating activities	$ (66,178)	$ (95,789)	$ (76,149)	$ (66,842)	$ 6,283	$ (66,554)	$ (54,828)	$ (52,545)
Net cash provided by (used in) investing activities	(80,928)	184,715	(688,319)	(144,076)	371,577	(492,124)	(375,250)	(234,067)
Net cash provided by (used in) financing activities	5,596	1,342	1,157,550	1,364	3,130	909,059	2,434	8,168
Change in cash, cash equivalents, and restricted cash	$ (141,510)	$ 90,268	$ 393,082	$ (209,554)	$ 380,990	$ 350,381	$ (427,644)	$ (278,444)

The following table sets forth the major components of our unaudited quarterly consolidated statements of operations for each of the four quarters in the periods ended December 31, 2020 and December 31, 2019. These unaudited quarterly results of operations have been prepared on the same basis as our audited consolidated financial statements included in "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. In the opinion of management, the financial information reflects all normal recurring adjustments necessary for the fair statement of results of operations for these periods. This information should be read in conjunction with our consolidated financial statements and the related notes included in "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. The results of historical periods are not necessarily indicative of the results in any future period.

	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
				(in thousands)				
Consolidated Statements of Operations Data:								
Revenue	$ 320,426	$ 388,021	$ 446,199	$ 560,888	$ 462,478	$ 454,158	$ 678,668	$ 911,322
Costs and expenses(1) (2):								
Cost of revenue	203,767	215,492	223,140	253,439	253,410	250,454	293,095	385,546
Research and development	216,185	236,199	211,599	219,526	238,613	260,863	283,639	318,446
Sales and marketing	97,882	111,504	123,240	125,972	122,205	132,118	143,511	157,634
General and administrative	118,653	129,644	117,073	215,547	134,614	121,331	126,287	146,932
Total costs and expenses	636,487	692,839	675,052	814,484	748,842	764,766	846,532	1,008,558
Operating loss	(316,061)	(304,818)	(228,853)	(253,596)	(286,364)	(310,608)	(167,864)	(97,236)
Interest income	7,816	7,446	10,317	10,463	8,589	4,768	2,801	1,969
Interest expense	(756)	(809)	(8,654)	(14,775)	(15,113)	(24,727)	(28,212)	(29,176)
Other income (expense), net	(1,127)	44,085	(1,481)	17,536	(12,389)	3,575	(5,669)	29,471
Loss before income taxes	(310,128)	(254,096)	(228,671)	(240,372)	(305,277)	(326,992)	(198,944)	(94,972)
Income tax benefit (expense)	(279)	(1,078)	1,296	(332)	(659)	1,041	(909)	(18,127)
Net loss	$ (310,407)	$ (255,174)	$ (227,375)	$ (240,704)	$ (305,936)	$ (325,951)	$ (199,853)	$ (113,099)

(1) Stock-based compensation expense included in the above line items:

	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
				(in thousands)				
Stock-based compensation expense:								
Cost of revenue	$ 1,849	$ 1,786	$ 1,332	$ 1,398	$ 1,782	$ 2,066	$ 2,623	$ 2,896
Research and development	112,242	132,610	108,176	111,611	118,317	127,516	132,003	155,436
Sales and marketing	17,760	26,474	23,333	25,788	24,806	27,107	27,393	28,964
General and administrative	30,705	34,704	28,387	27,858	27,144	29,482	30,061	32,586
Total	$ 162,556	$ 195,574	$ 161,228	$ 166,655	$ 172,049	$ 186,171	$ 192,080	$ 219,882

(2) Depreciation and amortization expense included in the above line items:

	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
				(in thousands)				
Depreciation and amortization expense:								
Cost of revenue	$ 6,146	$ 5,642	$ 4,580	$ 4,903	$ 5,525	$ 5,532	$ 5,615	$ 5,533
Research and development	8,650	7,188	8,632	8,738	8,915	8,463	9,526	10,723
Sales and marketing	4,015	3,045	3,109	3,087	3,166	3,381	3,233	3,136
General and administrative	4,508	6,785	4,325	3,892	3,598	3,549	3,430	3,419
Total	$ 23,319	$ 22,660	$ 20,646	$ 20,620	$ 21,204	$ 20,925	$ 21,804	$ 22,811

The following table presents a reconciliation of Free Cash Flow to net cash used in operating activities, the most comparable GAAP financial measure, for each of the periods presented:

	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
	(in thousands)							
Reconciliation of Free Cash Flow:								
Net cash provided by (used in) operating activities	$ (66,178)	$ (95,789)	$ (76,149)	$ (66,842)	$ 6,283	$ (66,554)	$ (54,828)	$ (52,545)
Less:								
Purchases of property and equipment	(11,814)	(7,633)	(7,938)	(9,093)	(10,891)	(15,767)	(14,727)	(16,447)
Free Cash Flow	$ (77,992)	$ (103,422)	$ (84,087)	$ (75,935)	$ (4,608)	$ (82,321)	$ (69,555)	$ (68,992)

The following table presents a reconciliation of Adjusted EBITDA to net loss, the most comparable GAAP financial measure, for each of the periods presented:

	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
	(in thousands)							
Reconciliation of Adjusted EBITDA:								
Net loss	$ (310,407)	$ (255,174)	$ (227,375)	$ (240,704)	$ (305,936)	$ (325,951)	$ (199,853)	$ (113,099)
Add (deduct):								
Interest income	(7,816)	(7,446)	(10,317)	(10,463)	(8,589)	(4,768)	(2,801)	(1,969)
Interest expense	756	809	8,654	14,775	15,113	24,727	28,212	29,176
Other (income) expense, net	1,127	(44,085)	1,481	(17,536)	12,389	(3,575)	5,669	(29,471)
Income tax (benefit) expense	279	1,078	(1,296)	332	659	(1,041)	909	18,127
Depreciation and amortization	23,319	22,660	20,646	20,620	21,204	20,925	21,804	22,811
Stock-based compensation expense	162,556	195,574	161,228	166,655	172,049	186,171	192,080	219,882
Payroll tax expense related to stock-based compensation	6,737	7,871	4,604	8,628	11,874	7,942	10,341	20,152
Securities class actions legal charges	—	—	—	100,000	—	—	—	—
Adjusted EBITDA	$ (123,449)	$ (78,713)	$ (42,375)	$ 42,307	$ (81,237)	$ (95,570)	$ 56,361	$ 165,609

The following table sets forth the components of our unaudited quarterly consolidated statements of operations for each of the periods presented as a percentage of revenue:

	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Consolidated Statements of Operations Data:								
Revenue	100%	100%	100%	100%	100%	100%	100%	100%
Costs and expenses:								
Cost of revenue	64	56	50	45	55	55	43	42
Research and development	67	61	47	39	52	57	42	35
Sales and marketing	31	29	28	22	26	29	21	17
General and administrative	37	33	26	38	29	27	19	16
Total costs and expenses	199	179	151	145	162	168	125	111
Operating loss	99	79	51	45	62	68	25	11
Interest income	2	2	2	2	2	1	—	—
Interest expense	—	—	2	3	3	5	4	3
Other income (expense), net	—	11	—	3	3	1	1	3
Loss before income taxes	97	65	51	43	66	72	29	10
Income tax benefit (expense)	—	—	—	—	—	—	—	2
Net loss	97%	66%	51%	43%	66%	72%	29%	12%

Liquidity and Capital Resources

Cash, cash equivalents, and marketable securities were $2.5 billion as of December 31, 2020, primarily consisting of cash on deposit with banks and highly liquid investments in U.S. government and agency securities, corporate debt securities, certificates of deposit, and commercial paper. Our primary source of liquidity is cash generated through financing activities. Our primary uses of cash include operating costs such as personnel-related costs and the infrastructure costs of the Snapchat application, facility-related capital spending, and acquisitions and investments. There are no known material subsequent events that could have a material impact on our cash or liquidity. We may contemplate and engage in merger and acquisition activity that could materially impact our liquidity and capital resource position.

In April 2020, we entered into a purchase agreement for the sale of an aggregate of $1.0 billion principal amount of senior convertible notes, or the 2025 Notes. The net proceeds from the issuance of the 2025 Notes were $888.6 million, net of debt issuance costs and cash used to pay the costs of the capped call transactions, or the 2025 Capped Call Transactions, discussed further in Note 7. The 2025 Notes mature on May 1, 2025 unless repurchased, redeemed, or converted in accordance with their terms prior to such date. The sale price for conversion was satisfied as of December 31, 2020 and as a result, the 2025 Notes first became eligible for optional conversion during the first quarter of 2021.

In August 2019, we entered into a purchase agreement for the sale of an aggregate of $1.265 billion principal amount of senior convertible notes, or the 2026 Notes. The net proceeds from the issuance of the 2026 Notes were $1.15 billion, net of debt issuance costs and cash used to pay the costs of the capped call transactions, or the 2026 Capped Call Transactions, discussed further in Note 7. The 2026 Notes mature on August 1, 2026 unless repurchased, redeemed, or converted in accordance with their terms prior to such date. The sale price for conversion was satisfied as of December 31, 2020 and as a result, the 2026 Notes first became eligible for optional conversion during the first quarter of 2021.

In July 2016, we entered into a five-year senior unsecured revolving credit facility, or the Credit Facility, with lenders some of which are affiliated with certain members of the underwriting syndicate for our Convertible Notes offering, that allows us to borrow up to $1.1 billion to fund working capital and general corporate-purpose expenditures. The loan bears interest at LIBO plus 0.75%, as well as an annual commitment fee of 0.10% on the daily undrawn balance of the facility. No origination fees were incurred at the closing of the Credit Facility. In December 2016, the amount we are permitted to borrow under the Credit Facility was increased to $1.2 billion. In February 2018, the amount we are permitted to borrow under the Credit Facility was increased to $1.25 billion. In August 2018, we amended the Credit Facility to extend the term to August 2023 with respect to an aggregate of $1.05 billion of the $1.25 billion that we may borrow under the Credit Facility. In August 2019, we amended the Credit Facility to revise the covenants that restrict the repurchase of equity securities and the incurrence of indebtedness to permit the 2026 Capped Call Transactions and issuance of the 2026 Notes. In April 2020, we amended the Credit Facility to revise the covenants that restrict the incurrence of indebtedness to permit the 2025 Capped Call Transactions and issuance of the 2025 Notes. As of December 31, 2020, no amounts were outstanding under the Credit Facility. As of December 31, 2020, we had $25.4 million in the form of outstanding standby letters of credit.

We believe our existing cash balance is sufficient to fund our ongoing working capital, investing, and financing requirements for at least the next 12 months. Our future capital requirements will depend on many factors including our growth rate, headcount, sales and marketing activities, research and development efforts, the introduction of new features, products, and acquisitions, and continued user engagement. We continually evaluate opportunities to issue or repurchase equity or debt securities, obtain, retire, or restructure credit facilities or financing arrangements, or declare dividends for strategic reasons or to further strengthen our financial position.

As of December 31, 2020, approximately 9% of our cash, cash equivalents, and marketable securities was held outside the United States. These amounts were primarily held in the United Kingdom and are utilized to fund our foreign operations. Cash held outside the United States may be repatriated, subject to certain limitations, and would be available to be used to fund our domestic operations. However, repatriation of funds may result in additional tax liabilities. We believe our existing cash balance in the United States is sufficient to fund our working capital needs. The following table sets forth the major components of our consolidated statements of cash flows for the periods presented:

	Year Ended December 31,		
	2020	2019	2018
	(dollars in thousands)		
Net cash used in operating activities	$ (167,644)	$ (304,958)	$ (689,924)
Net cash provided by (used in) investing activities	(729,864)	(728,608)	694,454
Net cash provided by financing activities	922,791	1,165,852	47,437
Change in cash, cash equivalents, and restricted cash	$ 25,283	$ 132,286	$ 51,967
Free Cash Flow (1)	$ (225,476)	$ (341,436)	$ (810,166)

(1) For information on how we define and calculate Free Cash Flow and a reconciliation to net cash used in operating activities to Free Cash Flow, see "Selected Financial Data—Non-GAAP Financial Measures."

Net Cash Used in Operating Activities

2020 compared to 2019

Net cash used in operating activities decreased $137.3 million in the year ended December 31, 2020 compared to the same period in 2019. Net cash used in operating activities was $167.6 million for the year ended December 31, 2020, resulting primarily from net loss, adjusted for non-cash items, including stock-based compensation expense of $770.2 million, depreciation and amortization expense of $86.7 million, and amortization of debt discount and issuance costs of $81.4 million. Net cash used in operating activities was also driven by a $255.8 million increase in the accounts receivable balance due to an increase in revenue, partially offset by an increase in accrued expenses and other current liabilities of $108.6 million primarily due to the timing of payments.

Net Cash Used in Investing Activities

2020 compared to 2019

Net cash used in investing activities was $729.9 million and $728.6 million for the years ended December 31, 2020 and 2019, respectively. Our investing activities in the current period consisted primarily of the purchase of marketable securities of $3.5 billion, partially offset by the sales and maturities of marketable securities of $3.1 billion. Net cash used in investing activities in the prior period consisted of the purchase of marketable securities of $2.5 billion partially offset by the sales and maturities of marketable securities of $1.8 billion.

Net Cash Provided by Financing Activities

2020 compared to 2019

Net cash provided by financing activities was $922.8 million and $1.2 billion for the years ended December 31, 2020 and 2019, respectively. Our financing activities in the current period consisted primarily of net proceeds of $888.6 million from the issuance of the 2025 Notes and the purchase of the 2025 Capped Call Transactions. Net cash provided by financing activities in the prior periods consisted of net proceeds of $1.15 billion from the issuance of the 2026 Convertible Notes and the purchase of the 2026 Capped Call Transactions.

Free Cash Flow

2020 compared to 2019

Free Cash Flow was $(225.5) million and $(341.4) million for the years ended December 31, 2020 and 2019, respectively, and was composed of net cash used in operating activities, resulting primarily from net loss, adjusted for non-cash items and changes in working capital. Free Cash Flow also included purchases of property and equipment of $57.8 million and $36.5 million for the years ended December 31, 2020 and 2019, respectively.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements for any of the periods presented.

Contingencies

We are involved in claims, lawsuits, tax matters, government investigations, and proceedings arising in the ordinary course of our business. We record a provision for a liability when we believe that it is both probable that a liability has been incurred and the amount can be reasonably estimated. We also disclose material contingencies when we believe that a loss is not probable but reasonably possible. Significant judgment is required to determine both probability and the estimated amount. Such claims, suits, and proceedings are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Many of these legal and tax contingencies can take years to resolve. Should any of these estimates and assumptions change or prove to be incorrect, it could have a material impact on our results of operations, financial position, and cash flows.

Commitments

The following table summarizes our contractual obligations as of December 31, 2020:

	Total	1 Year (2021)	2-3 Years (2022 and 2023)	4-5 Years (2024 and 2025)	After 5 Years (Thereafter)
			(in thousands)		
Hosting commitments	$ 1,029,000	$ 646,667	$ 382,333	$ —	$ —
Lease commitments	418,685	59,276	128,937	122,403	108,069
Other commitments	45,243	34,483	10,701	57	2
Total contractual commitments	$ 1,492,928	$ 740,426	$ 521,971	$ 122,460	$ 108,071

For additional discussion on our leases, hosting, and other purchase commitments, see Note 8 and Note 9 to our consolidated financial statements included in "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K.

In January 2017, we entered into the Google Cloud Platform License Agreement. Under the agreement, we were granted a license to access and use certain cloud services. The agreement has an initial term of five years and we are required to purchase at least $400.0 million of cloud services in each year of the agreement. For each of the first four years, up to 15% of this amount may be moved to a subsequent year. If we fail to meet the minimum purchase commitment during any year, we are required to pay the difference.

In March 2016, we entered into the AWS Enterprise Agreement for the use of cloud services from Amazon Web Services, Inc. We are committed to spend an aggregate of $1.1 billion between January 2017 and December 2022 on AWS services ($90.0 million in 2018, $150.0 million in 2019, $215.0 million in 2020, $280.0 million in 2021, and $349.0 million in 2022). If we fail to meet the minimum purchase commitment during any year, we are required to pay the difference. Any such payment may be applied to future use of AWS services during the term, although it will not count towards meeting the future minimum purchase commitments.

Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with GAAP. Preparing these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

The critical accounting estimates, assumptions, and judgments that we believe to have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We determine collectability by performing ongoing credit evaluations and monitoring customer accounts receivable balances. Sales tax, including value added tax, is excluded from reported revenue.

We determine revenue recognition by first identifying the contract or contracts with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when, or as, we satisfy a performance obligation.

We generate substantially all of our revenues by offering various advertising products on Snapchat, which include Snap Ads and AR Ads, referred to as advertising revenue. AR Ads include Sponsored Filters and Sponsored Lenses. Sponsored Filters allow users to interact with an advertiser's brand by enabling stylized brand artwork to be overlaid on a Snap. Sponsored Lenses allow users to interact with an advertiser's brand by enabling branded augmented reality experiences.

The substantial majority of advertising revenue is generated from the display of advertisements on Snapchat through contractual agreements that are either on a fixed fee basis over a period of time or based on the number of advertising impressions delivered. Revenue related to agreements based on the number of impressions delivered is recognized when the advertisement is displayed. Revenue related to fixed fee arrangements is recognized ratably over the service period, typically less than 30 days in duration, and such arrangements do not contain minimum impression guarantees.

In arrangements where another party is involved in providing specified services to a customer, we evaluate whether we are the principal or agent. In this evaluation, we consider if we obtain control of the specified goods or services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfillment, inventory risk, and discretion in establishing price. For advertising revenue arrangements where we are not the principal, we recognize revenue on a net basis. For the periods presented, revenue for arrangements where we are the agent was not material.

Stock-Based Compensation

In the year ended December 31, 2020, total stock-based compensation expense recognized was $770.2 million. We have granted stock-based awards consisting primarily of restricted stock units, or RSUs, restricted stock awards, or RSAs, and to a lesser extent, stock options to employees, members of our board of directors, and non-employee advisors. The substantial majority of our stock-based awards have been made to employees. RSUs granted before January 1, 2017, or Pre-2017 RSUs, included both service-based and performance conditions to vest in the underlying common stock. The service-based condition for the majority of these awards is satisfied over four years. The performance condition related to these awards was satisfied on the effectiveness of the registration statement for our IPO, which occurred in March 2017. On the effectiveness of the registration statement for our IPO, we recognized $1.3 billion in stock-based compensation expense. All RSUs and RSAs granted after December 31, 2016, or Post-2017 Awards, vest on the satisfaction of only service-based conditions. The service condition for Post-2017 Awards granted prior to February 2018 is generally satisfied over four years, 10% after the first year of service, 20% over the second year, 30% over the third year, and 40% over the fourth year. The service condition for Post-2017 Awards granted after February 2018 is generally satisfied in equal monthly or quarterly installments over three or four years.

We account for stock-based employee compensation under the fair value recognition and measurement provisions, in accordance with applicable accounting standards, which requires stock-based awards to be measured based on the grant date fair value. Stock-based compensation expense is recorded net of estimated forfeitures in our consolidated statements of operations. Accordingly, stock-based compensation expense is only recorded for those potential stock-based awards that we expect to vest. We estimate the forfeiture rate using historical forfeitures of equity awards and other expected changes in facts and circumstances, if any. We will re-evaluate our estimated forfeiture rate if actual forfeitures differ from our initial estimates. A modification of the terms of a stock-based award is treated as an exchange of the original award for a new award with

total compensation cost equal to the grant-date fair value of the original award plus the incremental value of the modification to the award.

Restricted Stock Units and Restricted Stock Awards

As of December 31, 2020, total unrecognized compensation cost related to Post-2017 Awards was $1.8 billion and is expected to be recognized over a weighted-average period of 2.6 years. All compensation cost related to Pre-2017 RSUs was recognized as of December 31, 2020.

CEO Award

On the closing of the IPO, our CEO received the CEO award for 37.4 million shares of Series FP preferred stock, which automatically converted into an equivalent number of shares of Class C common stock on the closing of the IPO. The CEO award represented 3.0% of all outstanding shares on the closing of the IPO, including shares sold by us in the IPO and vested stock options and RSUs on the closing of the IPO, net of shares withheld to satisfy tax withholding obligations. The CEO award vested immediately on the closing of the IPO, and such shares were being delivered to the CEO in equal quarterly installments over three years beginning in November 2017. As of December 31, 2020, all shares subject to the CEO award have been settled.

Business Combinations and Valuation of Goodwill and Other Acquired Intangible Assets

We estimate the fair value of assets acquired and liabilities assumed in a business combination. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement.

Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired technology, useful lives, and discount rates. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. During the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. On the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

Convertible Notes

We account for the Convertible Notes as separate liability and equity components. The carrying amount of the liability component is calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option is calculated by deducting the fair value of the liability component from the principal amount of the Convertible Notes as a whole. We estimated the fair value of the liability and equity components using a convertible bond model, which includes subjective assumptions such as the expected term, expected volatility, and the interest rate of a similar non-convertible debt instrument. These assumptions involve inherent uncertainties and management judgement.

Loss Contingencies

We are involved in claims, lawsuits, tax matters, government investigations, and proceedings arising in the ordinary course of our business. We record a provision for a liability when we believe that it is both probable that a liability has been incurred and the amount can be reasonably estimated. When there appears to be a range of possible costs with equal likelihood, a liability is recorded based on the low-end of such range. However, the likelihood of a loss is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available, the potential effect of future events, and decisions by third parties impacting the ultimate resolution of the contingency. It is also not uncommon for such matters to be resolved over multiple reporting periods. During this time, relevant developments and new information must be continuously evaluated to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of potential loss. We also disclose material contingencies when we believe that a loss is reasonably possible.

Significant judgment is required to determine both probability and the estimated amounts of loss contingencies. Such claims, suits, and proceedings are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change, it could have a material impact on our results of operations, financial position, and cash flows.

Income Taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining our uncertain tax positions.